



Ninety-Seventh Legislature - Second Session - 2002
Committee Statement
LB 898

Hearing Date: February 19, 2002

Committee On: Education

Introducer(s): (Kristensen)

Title: Change provisions relating to local effort rate

Roll Call Vote – Final Committee Action:

Advanced to General File

X Advanced to General File with Amendments

Indefinitely Postponed

Vote Results:

7	Yes	Senators Maxwell, Price, Stuhr, Raikes, Brashear, Wickersham, Suttle
1	No	Senator Coordsen
0	Present, not voting	
0	Absent	

Proponents:

Senator Doug Kristensen

Representing:

Introducer

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

Legislative Bill 898 increases the local effort rate in § 79-1015.01 for 2 years. The local effort rate is the rate applied to the adjusted valuation in each local system to arrive at the property tax capacity that is used to measure resources in the state aid formula for schools. The local effort rate is currently set at 10 cents below the maximum levy of \$1.00 for the original certification of state aid. This measure would increase the local effort rate to 7.5 cents below the maximum levy for the original certification of state aid for school fiscal years 2002-03 and 2003-04. Therefore, the local effort rate would increase by 2.5 cents from \$0.90 to \$0.925 for those 2 years.

Explanation of amendments, if any:

The committee amendments would replace the original provisions of the bill. The new provisions would reduce formula needs, net option funding, and allocated income taxes for school fiscal years 2002-03, 2003-04, and 2004-05 such that the state aid for most local systems

would be reduced by an amount equal to 1.25% of the system's formula needs. The maximum levels of funding for the "stabilization factor" and "small school stabilization factor" would be reduced by 1.25%. The budget authority for Class I school districts that are not a part of a Class VI system would be reduced by 1.25%. The procedures for calculating "lop-off" would be revised to include receipts related to annexations in the resources available in the prior year. A recertification of state aid would be required for school fiscal year 2002-03 by May 1st and deadlines for determining budget authority for Class I school districts would be extended.

The method for reducing aid would be to calculate a "temporary aid adjustment factor" equal to 1.25% of formula needs for each local system. The "temporary aid adjustment factor" would be subtracted from formula needs and again from net option funding for each system. If the net option funding is less than the "temporary aid adjustment factor," the remainder of the "temporary aid adjustment factor" would be subtracted from allocated income taxes (rebate). Although the factor is subtracted twice for each system, the effect is to reduce the aid only once. For systems that receive equalization aid, the reduction in net option funding and allocated income taxes is made up by an increase equalization aid. For systems that do not receive equalization aid, the reduction in formula needs does not affect aid.

Section by Section Changes

Section 79-4,111 would be amended to reference section 17 as the section for determining the total allowable general fund budget of expenditures minus the special education budget of expenditures for school fiscal years 2002-03, 2003-04, and 2004-05.

Section 79-1001 would be amended by including new sections 5, 13, and 17 in the Tax Equity and Educational Opportunities Support Act.

Section 79-1003 would be amended by including a new definition for a temporary aid adjustment factor, which would be equal to 1.25% of the current calculation of formula needs. The section would also be amended to include references to the new sections where appropriate. Section 5 is referenced as the section for determining allocated income tax funds for school fiscal years 2002-03, 2003-04, and 2004-05. Section 13 would be referenced in the equalization aid definition to recognize the new section as the section for determining equalization aid for those same years. The general fund budget of expenditures definition would be amended to include section 17 as the section for determining the total allowable general fund budget of expenditures minus the special education budget of expenditures for those years.

Section 79-1005.01 would be amended by excluding school fiscal years 2002-03, 2003-04, and 2004-05 from the determination of allocated income taxes pursuant to the section.

New section 5 would repeat § 79-1005.01, except that for school fiscal years 2002-03, 2003-04, and 2004-05 the allocated income taxes would be reduced by the amount of the temporary aid adjustment factor that had not been subtracted from net option funding.

Section 79-1007.01 would be amended to include a reference to new provisions in § 79-1007.02 for calculating each local system's formula need for school fiscal years 2002-03, 2003-04, and 2004-05. Federal references would also be updated.

Section 79-1007.02 would be amended by excluding school fiscal years 2002-03, 2003-04, and 2004-05 from the current provisions for calculating each local system's formula need. A new subdivision would repeat the current provisions, except that for school fiscal years 2002-03, 2003-04, and 2004-05, each local system's formula need would be reduced by the temporary aid adjustment factor.

Section 79-1008.01 would be amended regarding the "stabilization factor" and the "small school stabilization factor" and make an adjustment to the "lop-off" calculation.

The current provisions for the "stabilization factor" would be amended by excluding school fiscal years 2002-03, 2003-04, and 2004-05. The "stabilization factor" is not named as such in the section, but the provisions assure that each local system will receive at least 85% of the aid from the preceding school fiscal year minus the amount generated when the maximum levy is applied to the increase in adjusted valuation. The provisions are repeated, except that for school fiscal years 2002-03, 2003-04, and 2004-05, the 85% threshold is replaced with an 83.75% threshold.

The current provisions for the "small school stabilization factor" would be amended by excluding school fiscal years 2002-03, 2003-04, and 2004-05. The "small school stabilization factor" is not named as such in the section, but the provisions distribute funds saved by the "lop-off" to local systems with no more than 900 students and adjusted general fund operating expenditures per formula student less than the average for all local systems with no more than 900 formula students. Qualifying local systems are limited to receiving distributions that will not give the system state aid plus available property taxes of more than 90% of the state aid plus property taxes from the prior year. This measure would reduce the maximum for the "small school stabilization factor" to 88.75% of the state aid plus property taxes from the prior year.

The "lop-off" calculation would be adjusted by recognizing receipts from other school districts related to annexation. The "lop-off" provisions are also not named as such in the section, but the provisions reduce state aid for local systems that would otherwise appear to receive more state aid than the system would have the authority to spend. The calculation is currently based on the property tax and state aid resources available to the system in the prior year and the authorized budget growth. Annexation receipts may be received by a system as a transition between having property tax resources and having state aid resources when the system loses property due to an annexation.

Section 79-1008.02 would be amended to reference section 5 as the section for determining the allocated income taxes for school fiscal years 2002-03, 2003-04, and 2004-05.

Section 79-1009 would be amended by excluding school fiscal years 2002-03, 2003-04, and 2004-05 from the current provisions for net option funding. The current provisions would be repeated, except for school fiscal years 2002-03, 2003-04, and 2004-05, net option funding

would be reduced by the temporary aid adjustment factor for each local system. A reference would also be made to section 5 as the section for determining the allocated income taxes for school fiscal years 2002-03, 2003-04, and 2004-05.

Section 79-1017.01 would be amended to reference the provisions in section 5 for determining allocated income taxes for school fiscal years 2002-03, 2003-04, and 2004-05. Obsolete language would also be eliminated.

Section 79-1022 would be amended by requiring state aid to be certified on or before May 1st for 2002. The certification deadline would return to February 1st for future years.

New section 13 would nullify the certification of state aid from February 1, 2002 and require state aid to be recertified on or before May 1, 2002 using data sources as they existed on February 1, 2002.

Section 79-1024 would be amended to reference section 17 for determining the date by which Class I districts are required to submit items to the high school districts for school fiscal years 2002-03, 2003-04, and 2004-05.

Section 79-1031.01 would be amended to reference the change in the certification date for 2002.

Section 79-1083.03 would be amended by excluding school fiscal year 2002-03 from the current provisions for determining a Class I district's total allowable general fund budgets of expenditures minus the special education budgets of expenditures.

New section 17 repeats § 79-1083.03, except for school fiscal year 2002-03 the calculated total allowable general fund budget of expenditures minus the special education budget of expenditures per formula student for Class I districts that are not part of a Class VI system would be reduced by 1.25% and the deadlines would be changed to accommodate the recertification. The deadline for Class VI school districts to notify Class I districts of their budget authority would be moved from March 1st to May 10th. The deadline for the Class VI to report the budget authority for the Class I districts would be moved from April 20th to June 1st. The deadline for the Department to certify budget authority to all other Class I districts would be moved from February 1st to May 1st. The deadline for Class I districts to request additional budget authority would be moved from March 10th to May 15th. The deadline for the high school to approve or deny the request would be moved from April 10th to May 21st. The deadline for primary high school districts to certify to the department and all other affected districts the approved total general fund budget of expenditures for a Class I districts who have been approved to exceed the certified budget authority would be moved from April 20th to June 1st.

The amendments would add an emergency clause.

Senator Ron Raikes, Chairperson